

How to optimize your ad positions for profit in PPC

Fri, Oct 24, 2008 | Posted by [Gregory Lyons](#)

In our previous posts we looked at the average [Click Through Rates](#) (CTR) for each search engine and [Cost Per Click](#) (CPC) by position. In this post we'll bring those two bits of research together and look at how combining that information with your profit margins can help you to create a more optimised [paid search](#) campaign.

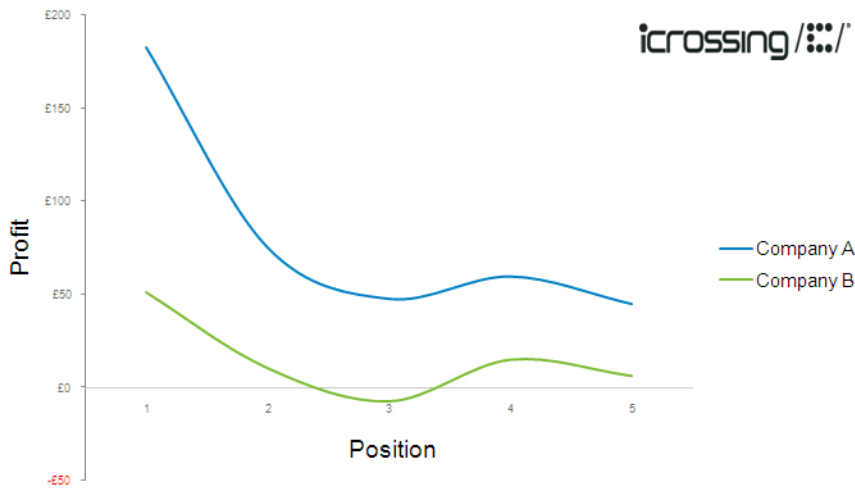
Imagine a scenario with two competing companies, we'll call them Company A and Company B. Company A, has a before marketing cost profit margin of 30% while Company B has 20%. Both are looking to start a [paid search](#) campaign in the same area, and both have been staying up to date with these posts 😊

To make things simple, both will be bidding on the same keyword (approximate search volume of 10,000) and have the same conversion rate of (2%). In the below example the basket value is £100.

CTR	Rank	CPC	Net Profit	
			A	B
6.6%	1	£ 0.32	£183	£51
3.2%	2	£ 0.37	£75	£10
2.8%	3	£ 0.43	£48	-£7
2.2%	4	£ 0.33	£60	£15
1.9%	5	£ 0.37	£45	£6

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Looking at the above table we can see that knowing the CTR and CPC data helps us choose an optimum bid position for both company A and B, however this is of particular importance for company B where bidding to position three would lose them money. In fact, position four would be one of the most profitable positions for Company B, more profitable than even position two!



Moreover the difference in profit margin between Company A and Company B is only 10% but the difference in profit at position one is over 350%. The situation gets even worse if Company B's profit margin dropped to 10% as the graph below illustrates. At a 10% profit margin, position one is the worst position to bid to as you lose the most money.

